

Chair's half-yearly report to the Electricity Authority Board

July 2012 to December 2012

7 February 2013

1 Introduction

1.1.1 This report outlines the activities of the Retail Advisory Group (RAG) during July 2012 to December 2012. The RAG's terms of reference require the Chair to report on its progress against its work programme every six months to the Electricity Authority (Authority).

1.2 Role of the RAG

1.2.1 The RAG was established to provide independent advice to the Authority on the development of the Electricity Industry Participation Code 2010 (Code) and market facilitation measures, focusing on the relationships between the retailer, distributor and consumer.

1.2.2 The RAG undertakes projects that are assigned by the Authority, focusing on:

- a) development of the retail electricity market, including matters relating to the retailer/consumer interface, the retailer/distributor interface and the consumer/distributor interface, the distributor/embedded generation interface and advanced metering infrastructure
- b) priorities for developing:
 - i) the Code, especially in regard to Parts 6 (Connection of distributed generation), 10 (Metering arrangements), 11 (Registry information management) and 15 (Reconciliation)
 - ii) market facilitation measures in regard to retail market services.

2 Membership of the RAG

2.1.1 The RAG can have up to nine members, including the independent Chair. Table 1 gives details of the RAG's membership and members' meeting attendance for July to December 2012.

Table 1: Retail Advisory Group membership details

Member	Affiliation	Term of appointment	Meeting attendance
Peter Allport, Chair	Independent	March 2011 to 31 March 2013	3 of 4
Dene Biddlecombe	Chief Executive Officer, Pulse Utilities (until 19 October 2012) Independent (after 19 October 2012)	1 August 2012 to 31 July 2014	4 of 4
Suzanne Chetwin	Chief Executive Officer, Consumer NZ	May 2011 to 31 May 2013	3 of 4
Sarah Free	Domestic Energy Users Network	1 August 2012 to 31 July 2014	4 of 4
Anne Herrington	Director, Smart Power	May 2011 to 31 May 2013	4 of 4
Bill Highet	General Manager Retail, Meridian Energy	1 August 2012 to 31 July 2014	3 of 3
Andrew McLeod	General Manager Electricity, Powerco	1 August 2012 to 31 July 2014	3 of 3
James Munro	General Manager Retail, Mighty River	1 August 2012 to 31 July 2014	4 of 4

Member	Affiliation	Term of appointment	Meeting attendance
	Power		
Nathan Strong	General Manager Business Assurance, Unison Networks	May 2011 to 31 May 2013	4 of 4

2.1.2 The RAG held four meetings between July and December 2012.¹ All meetings were held in Wellington, with three held at the offices of the Authority and one held at the New Zealand Institute of Chartered Accountants Conference Centre.

2.1.3 The RAG had seven members during July 2012 with Bill Highet and Andrew McLeod's terms commencing on 1 August 2012.

3 Activities of the Group

3.1.1 The RAG and the Authority agreed on the RAG's work programme for 2012-13 in September 2012, following discussions in July and August.

3.1.2 The RAG's work programme comprises the following projects:

- a) review of arrangements for managing retailer default situations
- b) review of consumer switching fund programmes
- c) review of domestic contracting arrangements
- d) consideration of mandatory disclosure of the component parts of residential consumers' electricity bills
- e) consideration of options to improve retail competition in embedded and customer networks.

3.2 Review of arrangements for managing retailer default situations

3.2.1 The RAG submitted a report to the Authority Board in December 2012 recommending that the Authority introduce arrangements and a process to facilitate the resolution of a default situation when a retailer becomes insolvent or otherwise rapidly exits the market.

3.2.2 The RAG proposed that the Authority amend the Code to establish a process for ensuring that the defaulting retailer's customers are transferred to another retailer in an efficient way in order to:

- a) maintain the confidence of consumers in a reliable electricity supply in a retailer default situation
- b) maintain the confidence of industry participants that the market arrangements will efficiently facilitate the resolution of a retailer default situation and will limit potential financial losses.

¹ The Group met on 6 July, 30 August, 24 October and 28 November.

3.2.3 The RAG's proposal was developed following two rounds of consultation, in February 2012 and August 2012. The RAG received extensive feedback on the nature of the problem and the options for managing retailer default situations. The RAG's approach and proposals received broad support.

3.2.4 The RAG took into account the work of the Wholesale Advisory Group on settlement and prudential security arrangements when developing a proposed approach for managing a retailer default situation.

3.3 Review of domestic contracting arrangements

3.3.1 The RAG is reviewing domestic contracting arrangements, including an assessment of:

- a) whether to develop minimum terms and conditions for the relationship between consumers and distributors (where the distributor has a direct relationship) and retailers (referred to as conveyance model arrangements)
- b) whether to more closely monitor retailers' behaviours by monitoring their compliance with their domestic contracts, for example, by collecting and reporting consumer complaints data
- c) the potential to improve the operational efficiency of the arrangements to assist medically dependent and vulnerable consumers.

3.3.2 The objective of this project is to examine the operational effectiveness of aspects of the domestic contracting arrangements, and to identify and recommend alternatives that promote competition in, reliable supply by, and efficient operation of the electricity industry for the long-term benefits of consumers.

3.3.3 The RAG has decided to take a two-stage approach to this project, by first consulting on an issues paper to ensure the RAG clearly understands the problems it is being asked to address, followed by a second round of consultation on a discussion paper to consider options for addressing those problems. The issues paper will likely be published in April 2013.

3.3.4 The current timeline for this project indicates the RAG will make a recommendation to the Board in December 2013.

3.4 Review of consumer switching fund programmes

3.4.1 The RAG is reviewing options for promoting retail competition by increasing consumers' propensity to compare and switch retailers. The objective of this project is to consider the performance of the CSF and to identify what actions (if any) the Authority can take to promote to consumers the benefits of comparing and switching electricity retailers.

3.4.2 The RAG provided a draft discussion paper to the Board in December 2012. The Board considered the paper extended beyond the intend scope of this project, and requested the RAG to redraft aspects of the paper, based on a reformulated scope. The redrafted paper will likely be provided to the Board in April 2013, and will then be published for consultation.

3.4.3 The RAG intends to make a final recommendation to the Board in mid-2013.

3.5 Consideration of mandatory disclosure of the component parts of residential consumers' electricity bills

3.5.1 The objective of this project is to consider the costs and benefits of requiring retailers to separately disclose the line and energy charges on each consumer's invoice.

3.5.2 The RAG anticipates commencing this project in May 2013.

3.6 Review of options to improve retail competition in embedded and customer networks

3.6.1 This project aims to address a potential problem with the ability of retailers to compete to supply consumers on embedded and customer networks. This matter potentially has wider effects on competition because there is anecdotal evidence that in some circumstances gaining a contract to supply a chain of business customers can be frustrated if one of those business customers operates in an embedded or customer network and cannot switch.

3.6.2 The RAG anticipates commencing this project in July 2013.



Peter Allport

Chair, Retail Advisory Group